

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF FLEMING-MASON)	
RURAL ELECTRIC COOPERATIVE)	
CORPORATION'S REVISION TO ITS)	CASE NO. 9772
ELECTRIC POWER TARIFF)	

O R D E R

On May 15, 1986, East Kentucky Power Cooperative, Inc., ("EKPC") filed two optional schedules to its wholesale tariff, Schedule B and Schedule C, in Case No. 9582, The Notice of East Kentucky Power Cooperative, Inc., of a Revision to its Wholesale Electric Power Tariff. On September 19, 1986, EKPC filed a motion to withdraw the proposed Schedule B and modify Schedule C. EKPC also advised its member cooperatives to set the retail demand equal to the wholesale demand rate and then include an adder to the energy rate a few mills above the wholesale energy rate. On October 16, 1986, the Commission ordered that the amended Schedule C was reasonable and just and was accepted. In the October 16, 1986, Order, the Commission stated that:

Of the three distribution cooperatives which have already filed retail tariffs to pass through EKPC's wholesale rates, two have followed EKPC's advice and one has not. The one which has not followed the advice instead proposed a retail tariff so as to maintain a neutral effect on its net income. Thus, the Cooperative is not adversely affected by this proposal. The Commission prefers this methodology which maintains the same net income for the member cooperatives.

On November 20, 1986, Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") filed its notice to revise existing tariffs Large General Service Schedule ("LGS") and Special Contracted Service - Dravo Lime Company and to add Large Industrial Rate Schedules LIS 1 through LIS 6 to its existing tariffs. The proposed revision to LGS would limit large general service to 112.5 KVA through 999 KVA. The proposed revision to Special Contracted Service - Dravo Lime Company would replace this individual tariff with proposed Schedule LIS 3. The Company maintains that this change will have no effect on rates or operations because the rates are identical to those in the current individual tariff.

The purpose of the proposed new rate schedules is to provide equitable rates for prospective future industrial customers in Fleming-Mason's service area. The schedules would apply only to industrial customers with loads of 1,000 KW and more. Fleming-Mason has one existing customer, Dravo Lime Company, that qualifies for the new schedules. Schedule LIS 1 is available for contracts with demands of 1,000 to 4,999 KW. LIS 1 rates track EKPC wholesale rate Schedule A rates with a \$535 per month customer charge and an 8 mill adder to the energy charge. Schedule LIS 2 is available for contracts with demands of 5,000 to 9,999 KW. LIS 2 rates track EKPC wholesale rate Schedule A rates with a \$1,069 per month customer charge and a 5 mill adder to the energy charge. Schedule LIS 3 is available for contracts with demands of 10,000 KW and over. LIS 3 rates are the same as existing Special Contracted Service - Dravo Lime Company rates

with a \$798.33 per month customer charge and a 3.124 cent per KWH energy charge. Schedule LIS 4 is available for contracts with demands of 1,000 to 4,999 KW that qualify for EKPC wholesale rate Schedule C. LIS 4 rates track EKPC wholesale rate Schedule C rates with a \$535 per month customer charge and an 8 mill adder to the energy charge. Schedule LIS 5 is available for contracts with demands of 5,000 to 9,999 KW that qualify for EKPC wholesale rate Schedule C. LIS 5 rates track EKPC wholesale rate Schedule C rates with a \$1,069 per month customer charge and a 5 mill adder to the energy charge. Schedule LIS 6 is available for contracts with demands of 10,000 KW and above that qualify for EKPC wholesale rate schedule C. LIS 6 rates track EKPC wholesale rate schedule C rates with a \$1,069 per month customer charge and a 3.25 mill adder to the energy charge.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. The revision of Schedule LGS and Special Contracted Service - Dravo Lime Company is reasonable and just and should be accepted.

2. Fleming-Mason has no existing customers that qualify for proposed Schedules LIS 1 and 2. No cost support or analysis of qualifying customers was provided. These schedules do not pass through EKPC's wholesale rate Schedule C. The proposed schedules have not been shown to be reasonable and just and should be denied.

3. Fleming-Mason has one existing customer, Dravo Lime Company, that qualifies for proposed Schedules LIS 3 and 6; none for LIS 4 or 5. No cost support or analysis of qualifying customers was provided for LIS 4 or 5. Cost support and analysis of the qualifying customer was provided for LIS 6. Schedules 4, 5 and 6 pass through EKPC's wholesale rate Schedule C. Schedule LIS 3 replicates existing rates. The proposed schedules are reasonable and just and should be accepted.

4. Acceptance of Schedules LIS 3 through 6 is a departure from the Commission's traditional rate-making objectives of cost-based rates. Thus, Fleming-Mason should provide in October 1987 a report to the Commission which lists the customers served through Schedules 3, 4, 5 and 6, identifies whether they are existing, expanding or new customers, states the associated load of these customers and estimates the effect on Fleming-Mason's revenue and net income.

IT IS THEREFORE ORDERED that:

1. The revision of Schedule LGS and Special Contracted Service - Dravo Lime Company is reasonable and just and is accepted. Fleming-Mason shall file with the Commission a signed copy of these revised Schedules within 20 days of the date of this Order.

2. Fleming-Mason's rate Schedules LIS 1 and 2 have not been found to be reasonable and just and are hereby denied.

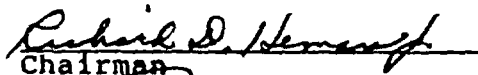
3. Fleming-Mason's rate Schedules LIS 3, 4, 5 and 6 have been found to be reasonable and just and are accepted. Fleming-Mason shall file with the Commission a signed copy of

Schedules LIS 3, 4, 5 and 6 within 20 days of the date of this Order.

4. Fleming-Mason shall file with the Commission in October 1987 a report which provides an update on the implementation of Schedules LIS 3, 4, 5 and 6.

Done at Frankfort, Kentucky, this 9th day of February, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director